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14 1600 Pioneer Tower

15 888 S.W. Fifth Avenue

16 Portland, OR 97204

17 Attorneys for Debtor

Judge:

Chapter:

Hearing Location:

Paul B. Snyder

11

~~Vancouver~~ Tacoma,  
WA

Hearing Date:

Jan. 13, 2010

Hearing Time:

9:00 a.m.

Response Date:

Jan. 6, 2010

13 IN THE UNITED STATES BANKRUPTCY COURT

14 FOR THE WESTERN DISTRICT OF WASHINGTON

15 Tacoma Division

16 In re

17 The Columbian Publishing Company,

18 Debtor.

Case No. 09-43133-PBS

**DEBTOR'S ~~FIRST~~ SECOND**  
**AMENDED DISCLOSURE**  
**STATEMENT**

**(~~NOVEMBER~~ DECEMBER 13, 2009)**

21 **I. INTRODUCTION AND SUMMARY OF PLAN**

22 **A. INTRODUCTION**

23 On May 1, 2009 (the "Petition Date"), The Columbian Publishing Company  
24 ("Debtor" or "The Columbian") filed a voluntary petition for relief under Chapter 11 of Title  
25 11 of the United States Code (the "Bankruptcy Code"). On ~~August 27~~ December 1, 2009,  
26 Debtor filed its ~~initial~~ proposed Second Amended Plan of Reorganization (the "Plan") with

1 the Bankruptcy Court. This Disclosure Statement describes various transactions  
2 contemplated under the Plan, including the manner in which Claims and Interests will be  
3 satisfied. A copy of the Plan is attached hereto as Exhibit 1. You are urged to review the  
4 Plan and, if appropriate, consult with counsel about the Plan and its impact on your legal  
5 rights before voting on the Plan. Capitalized terms used but not defined in this Disclosure  
6 Statement shall have the meanings assigned to such terms in the Plan or the Bankruptcy  
7 Code.

8           The purpose of this Disclosure Statement is to provide adequate information  
9 of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and  
10 history of Debtor and the condition of Debtor's books and records, that would enable a  
11 hypothetical reasonable investor typical of holders of Claims or Interests of the relevant  
12 Class to make an informed judgment concerning the Plan.

13           This Disclosure Statement has been prepared by Debtor in good faith based  
14 upon information available to Debtor and information contained in Debtor's books and  
15 records. The information concerning the Plan has not been subject to a verified audit.  
16 Debtor believes this Disclosure Statement complies with the requirements of the Bankruptcy  
17 Code.

18           The statements contained in this Disclosure Statement are made as of the date  
19 hereof, unless another time is specified herein, and the delivery of this Disclosure Statement  
20 shall not imply there has been no change in the facts set forth herein since the date of this  
21 Disclosure Statement and the date the material relied on in preparation of this Disclosure  
22 Statement was compiled. The description of the Plan contained in this Disclosure Statement  
23 is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If  
24 any inconsistency exists between the Plan and this Disclosure Statement, the terms of the  
25 Plan are controlling. Each holder of a Claim is encouraged to read, consider and carefully  
26 analyze the terms and provisions of the Plan. This Disclosure Statement may not be relied on

1 for any purpose other than to determine how to vote on the Plan. Nothing contained herein  
2 shall constitute an admission of any fact or liability by any party, or be admissible in any  
3 proceeding involving Debtor or any other party, or be deemed conclusive advice on the tax or  
4 other legal effects of the reorganization on the holders of Claims or Interests.

5 This Disclosure Statement is submitted in accordance with Section 1125 of  
6 the Bankruptcy Code and Bankruptcy Rule 3016. The Bankruptcy Court has scheduled a  
7 hearing on confirmation of the Plan to commence on January 13, 2010  
8 at 9:00 a.m. Pacific Time. That hearing will be held at the United States  
9 Bankruptcy Court for the Western District of Washington,  
10 1717 Pacific Avenue, Tacoma, Washington 98402,  
11 before the Honorable Paul B. Snyder. The hearing on confirmation may be adjourned from  
12 time to time by the Bankruptcy Court without further notice, except for an announcement  
13 made at the hearing or any adjournment thereof.

14 A ballot has been enclosed with this Disclosure Statement for use in voting on  
15 the Plan. In order to be tabulated for purposes of determining whether the Plan has been  
16 accepted or rejected, ballots must be received at the address indicated on the ballot no later  
17 than \_\_\_\_\_ .m. Pacific Time on \_\_\_\_\_, 2010. Debtor believes  
18 confirmation of the Plan is in the best interest of Debtor's Creditors and urges you to vote to  
19 accept the Plan.

20 **B. BRIEF EXPLANATION OF CHAPTER 11**

21 Chapter 11 of the Bankruptcy Code is the principal reorganization provision  
22 of the Bankruptcy Code. Pursuant to Chapter 11, a debtor attempts to reorganize its business  
23 for the benefit of the debtor, its creditors and other parties in interest.

24 The formulation and confirmation of a plan of reorganization is the principal  
25 purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed method for  
26 compensating the holders of claims and interests in the debtor. A claim or interest is

1 impaired under a plan of reorganization if the plan provides that the legal, equitable or  
2 contractual rights of the holder of such claim or interest are altered. A holder of an impaired  
3 claim or interest is entitled to vote to accept or reject the plan. Chapter 11 does not require  
4 all holders of claims and interests to vote in favor of a plan in order for the Bankruptcy Court  
5 to confirm it. However, the Bankruptcy Court must find that the plan meets a number of  
6 statutory tests before it may approve the plan. These tests are designed to protect the  
7 interests of holders of claims or interests who do not vote to accept the plan, but who will  
8 nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court.

9 An official committee of unsecured creditors is appointed by the trustee in  
10 most Chapter 11 cases to, among other things, negotiate the plan of reorganization on behalf  
11 of the unsecured creditors of the debtor. A committee of unsecured creditors (the  
12 "Unsecured Creditors' Committee") was appointed by the United States Trustee in this case,  
13 and the committee is represented by attorney Marc Barreca of K&L Gates LLP, Seattle,  
14 Washington.

### 15 C. PLAN SUMMARY

16 Below is a general summary of the Plan. A copy of the Plan is attached hereto  
17 as Exhibit 1 and the Plan is discussed in more detail in Section VI of this Disclosure  
18 Statement. Statements in this Disclosure Statement describing or summarizing the Plan are  
19 qualified in their entirety by reference to the Plan. Each holder of a Claim should carefully  
20 review the entire Plan, together with this Disclosure Statement, before voting on the Plan.

21 1. General. The Plan contemplates that Debtor will continue to operate  
22 in the ordinary course and pay and satisfy its obligations under the Plan from revenue  
23 generated by continuing operations. Debtor believes it will be able to operate profitably and  
24 its value as going concern will be enhanced by continued operation following confirmation  
25 of the Plan.

2. B of A's Secured Claim. Debtor has only one secured creditor, Bank of America, N.A. ("B of A"). As of the Petition Date, Debtor owed B of A approximately \$15,564,161. B of A has a first priority security interest in all of Debtor's personal property, including that certain \$7,000,000 promissory note dated October 1, 2008 from Downtown Vitality Partners LLC ("DVP") to Debtor (the "DVP Note"). B of A also has a first and only deed of trust on Debtor's real property located at 701 W. 8th Street, Vancouver, Washington. B of A does not have a security interest in Debtor's real property located at 615 W. 6th Street, Vancouver, Washington (referred to herein as the "Petlock Property"), with an approximate value of \$2,000,000 (based on February 10, 2009 appraisal) or in Debtor's real property located at 425 NE 4th Avenue, Camas, Washington (approximate value of \$400,000 based on May 8, 2009 appraisal). B of A's Collateral is discussed in more detail in Section V.C.1. below.

The Plan provides that B of A's Secured Claim will be Allowed in the amount of \$9,000,000 and will be satisfied by delivery of a \$9,000,000 promissory note to B of A payable by Reorganized Debtor (the "B of A Note"). The B of A Note will accrue interest at the rate of 5.25% per annum and will be paid in equal quarterly installments of principal and interest based on a 30-year amortization schedule, with a balloon payment due 10 years after the Effective Date. As security for the B of A Note, B of A will retain its security interest in the Collateral securing its Secured Claim with the same priority that such security interest had on the Petition Date.

B of A will retain a General Unsecured Claim in the amount of \$6,500,000.

3. Unsecured Claims. The Plan provides that Unsecured Claims will be divided into four Classes: Subscriber Refund Claims, Small Unsecured Claims, Subordinated Unsecured Claims and General Unsecured Claims.

Holders of Allowed Subscriber Refund Claims will be paid the full amount of their Subscriber Refund Claims within 30 days after the Effective Date.

1 Holders of Allowed Small Unsecured Claims (Unsecured Claims of \$5,000 or  
2 less) will be paid an amount equal to 60% of their Small Unsecured Claims within 30 days  
3 following the Effective Date.

4 Holders of Subordinated Unsecured Claims will not be paid anything on  
5 account of their Subordinated Unsecured Claims.

6 Holders of Allowed General Unsecured Claims will be paid Pro Rata from a  
7 Creditors' Trust established for the purpose of paying Allowed General Unsecured Claims.  
8 The Creditors' Trust is discussed in Section VI.B.3.e. of this Disclosure Statement.

9 4. Equity Interests. The Plan provides that all Interests in Debtor will be  
10 cancelled as of the Effective Date. Interest holders will receive nothing on account of their  
11 common stock of Debtor. On the Effective Date, Reorganized Debtor will issue 500,000  
12 shares of common stock to Scott Campbell (and/or a Campbell family trust and/or an  
13 immediate family member of Scott Campbell) in exchange for \$500,000 Cash to be paid by  
14 Scott Campbell to Reorganized Debtor on or before the Effective Date. In addition to the  
15 shares to be issued to Scott Campbell (and/or a Campbell family trust and/or an immediate  
16 family member of Scott Campbell), the Plan provides that on the Effective Date any Creditor  
17 may purchase common stock in Reorganized Debtor in blocks of not less than 50,000 shares  
18 for \$1 per share provided that such Creditor has executed and delivered to Debtor a signed  
19 subscription agreement on or before the Confirmation Date.

20 5. Leases and Executory Contracts. The Plan provides that all of  
21 Debtor's executory contracts and unexpired leases will be deemed rejected by operation of  
22 law on the Effective Date, except for any executory contract or unexpired lease that has been  
23 specifically assumed or rejected by Debtor on or before the Effective Date or in respect of  
24 which a motion for assumption or rejection has been Filed by Debtor on or before the  
25 Effective Date.

6. Effective Date. The Effective Date of the Plan will be the later of 11:59 p.m. on January 31, 2010, or the first day after the Confirmation Order shall have become a Final Order.

In the event any impaired Class does not accept the Plan, Debtor reserves the right to request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise modify the Plan.

## **II. VOTING PROCEDURES AND CONFIRMATION OF A PLAN**

### **A. BALLOTS AND VOTING DEADLINE**

A ballot to be used for voting to accept or reject the Plan is enclosed with each copy of this Disclosure Statement mailed to all Creditors entitled to vote. After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed ballot as directed below.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than \_\_\_\_\_  
\_\_\_\_.m. Pacific Time, on \_\_\_\_\_, \_\_, 2009 by Debtor at the following address:

Tonkon Torp LLP  
Attention: Michael W. Fletcher  
1600 Pioneer Tower  
888 SW Fifth Avenue  
Portland, Oregon 97204-2099

or via facsimile transmission to Michael W. Fletcher at (503) 972-3869.

Holders of each Claim scheduled by Debtor or with respect to which a Proof of Claim has been filed will receive ballots and are permitted to vote based on the amount of the Proof of Claim. If no Proof of Claim has been filed, then the vote will be based on the amount scheduled by Debtor in its Schedules. Holders of disputed Claims who have settled their dispute with Debtor are entitled to vote the settled amount of their Claim. The Bankruptcy Code provides that such votes will be counted unless the Claim has been

1 | disputed, disallowed, disqualified or suspended prior to computation of the vote on the Plan.  
2 | The Claim to which an objection has been filed is not allowed to vote unless and until the  
3 | Bankruptcy Court rules on the objection. The Bankruptcy Code provides that the Bankruptcy  
4 | Court may, if requested to do so by the holder of such claim, estimate or temporarily allow a  
5 | disputed claim for the purposes of voting on the Plan.

6 |           If a person holds Claims in more than one Class entitled to vote on the Plan,  
7 | such person will be entitled to complete and return a ballot for each Class. If you do not  
8 | receive a ballot or if a ballot is damaged or lost, please contact:

9 |                           Tonkon Torp LLP  
10 |                           Attention: Leslie Hurd  
11 |                           1600 Pioneer Tower  
12 |                           888 SW Fifth Avenue  
13 |                           Portland, Oregon 97204-2099  
14 |                           Telephone Number: (503) 802-2082

15 |           All persons entitled to vote on the Plan may cast their vote for or against the  
16 | Plan by completing, dating and signing the ballot accompanying this Disclosure Statement  
17 | and returning it, by first class mail or hand delivery, to Debtor at the address indicated above.  
18 | In order to be counted, all ballots must be executed and received at the above address no later  
19 | than \_\_\_\_\_.m. Pacific Time on \_\_\_\_\_, \_\_\_, 2009. Any ballots received after  
20 | \_\_\_\_\_.m. Pacific Time on \_\_\_\_\_, \_\_\_, 2009 will not be included in any  
21 | calculation to determine whether the parties entitled to vote on the Plan have voted to accept  
22 | or reject the Plan.

23 |           Ballots may be received by Debtor by facsimile transmission to Tonkon Torp  
24 | LLP, Attention: Michael W. Fletcher at (503) 972-3869. Ballots sent by facsimile  
25 | transmission will be counted if faxed to Mr. Fletcher by \_\_\_\_\_.m. Pacific Time on  
26 | \_\_\_\_\_, \_\_\_, 2009.

27 |           When a ballot is signed and returned without further instruction regarding  
28 | acceptance or rejection of the Plan, the signed ballot shall be counted as a vote accepting the



1 Plan. When a ballot is returned indicating acceptance or rejection of the Plan but is unsigned,  
2 the unsigned ballot will not be included in any calculation to determine whether parties  
3 entitled to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned  
4 without indicating the amount of the Claim, the amount shall be as set forth on Debtor's  
5 Schedules or any Proof of Claim filed with respect to such Claim.

6 **B. PARTIES ENTITLED TO VOTE**

7 Pursuant to Section 1126 of the Bankruptcy Code, any holder of an Allowed  
8 Claim that is in an impaired Class under the Plan, and whose Class is not deemed to reject  
9 the Plan, is entitled to vote. A Class is "impaired" unless the legal, equitable and contractual  
10 rights of the holders of claims in that Class are left unaltered by the Plan or if the Plan  
11 reinstates the Claims held by members of such Class by (1) curing any defaults, (2)  
12 reinstating the maturity of such claim, (3) compensating the holder of such claim for  
13 damages that result from the reasonable reliance on any contractual provision of law that  
14 allows acceleration of such claim, and (4) otherwise leaving unaltered any legal, equitable or  
15 contractual right of which the Claim entitles the holder of such claim. Because of their  
16 favorable treatment, Classes that are not impaired are conclusively presumed to accept the  
17 Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes  
18 that are not impaired. Class 1 (Other Priority Claims) and Class 3 (Subscriber Refund  
19 Claims) are not impaired and therefore are deemed to have accepted the Plan.

20 Classes of Claims or Interests that will not receive or retain any money or  
21 property under a Plan on account of such Claims or Interests are deemed, as a matter of law  
22 under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not  
23 entitled to vote on the Plan. Accordingly, Class 6 (Subordinated Unsecured Claims) and  
24 Class 7 (Interests) are deemed to have rejected the Plan.

25 All other Classes of Claims are impaired under the Plan, and accordingly  
26 holders of Allowed Claims in Class 2 (B of A's Secured Claim), Class 4 (Small Unsecured

1 Claims) and Class 5 (General Unsecured Claims) are entitled to vote to accept or reject the  
2 Plan.

3 **C. VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN**

4 As a condition to confirmation, the Bankruptcy Code requires that each  
5 impaired Class of Claims or Interests accept the Plan, subject to the exceptions described  
6 below in the section entitled "'Cram Down' of the Plan." At least one impaired Class of  
7 Claims must accept the Plan in order for the Plan to be confirmed.

8 For a Class of Claims to accept the Plan, Section 1126 of the Bankruptcy  
9 Code requires acceptance by Creditors that hold at least two-thirds in dollar amount and a  
10 majority in number of the Allowed Claims of such Class, in both cases counting only those  
11 Claims actually voting to accept or reject the Plan. The holders of Claims who fail to vote  
12 are not counted as either accepting or rejecting the Plan. If the Plan is confirmed, the Plan  
13 will be binding with respect to all holders of Claims and Interest in each Class, including  
14 Classes and members of Classes that did not vote or that voted to reject the Plan.

15 **D. "CRAM DOWN" OF THE PLAN**

16 If the Plan is not accepted by all of the impaired Classes of Claims, the Plan  
17 may still be confirmed by the Bankruptcy Court pursuant to Section 1129(b) of the  
18 Bankruptcy Code's "Cram Down" provision if the Plan has been accepted by at least one  
19 impaired Class of Claims, without counting the acceptances of any insiders of Debtor, and  
20 the Bankruptcy Court determines, among other things, that the Plan "does not discriminate  
21 unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class of  
22 Claims or Interest. Debtor believes the Plan can be confirmed even if it is not accepted by all  
23 impaired Classes of Claims.

24 **E. CONFIRMATION HEARING**

25 The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to  
26 take place on January 13, 2010, at 9:00 a.m. Pacific

1 Time. The confirmation hearing will be held at the United States Bankruptcy Court for the  
2 Western District of Washington, 1717 Pacific  
3 Avenue, Tacoma, Washington 98402, before the Honorable Paul B. Snyder, United States  
4 Bankruptcy Judge. At the hearing, the Bankruptcy Court will consider whether the Plan  
5 satisfies the various requirements of the Bankruptcy Code, including whether it is feasible  
6 and whether it is in the best interest of the Creditors. At that time, Debtor will submit a  
7 report to the Bankruptcy Court concerning the votes for acceptance or rejection of the Plan  
8 by the persons entitled to vote thereon.

9 Section 1128(b) of the Bankruptcy Code provides that any party in interest  
10 may object to confirmation of the Plan. Any objections to confirmation of the Plan must be  
11 made in writing and filed with the Bankruptcy Court and received by counsel for Debtors no  
12 later than \_\_\_\_\_, 2009, by \_\_\_\_\_.m. Pacific Time. Unless an objection to  
13 confirmation is timely filed and received, it may not be considered by the Bankruptcy Court.

### 14 **III. BACKGROUND AND GENERAL INFORMATION**

#### 15 **A. THE COLUMBIAN**

16 In 1918, a respected Portland Oregon newspaperman by the name of Herbert  
17 Campbell invented a gimmick to fill text gaps on newspaper pages with interesting bits of  
18 information. The idea was a big success, and he was able to syndicate the service to  
19 hundreds of newspapers nationally, giving him the capital to pursue his dream – owning a  
20 community newspaper and raising his family in a vibrant growing community. In 1921,  
21 Herbert Campbell bought The Columbian, which had been published since 1890.

22 Herbert Campbell made many improvements to the newspaper, including the  
23 addition of wire photographs and automated typesetting. In later years, after Herbert's  
24 untimely death, Herbert's sons Don and then Jack Campbell took the reins of the family  
25 business: Don handling the business affairs and Jack serving as the paper's editor. This was  
26 an extremely successful partnership, lasting through the 1960's and into the early 1970's.

1 During that time, the business built on its reputation as an important news organization in the  
2 region, installed a state-of-the-art offset printing press, and grew a commercial printing  
3 business.

4 In the mid-1960's and 1970's, Don's son Scott Campbell (the current President  
5 and Publisher of The Columbian) worked in almost all the departments of the newspaper,  
6 from mopping out glue vats on the graveyard shift to interning as a staff photographer on  
7 summer vacation. Scott's passion for the business was sparked and, after earning a  
8 journalism degree from the University of Oregon, he joined The Columbian full time in 1979  
9 in the circulation department. Eventually he became the manager of that department, and  
10 began to co-manage some of The Columbian's larger administrative functions with his father.

11 Scott took the reins as the Publisher and President of The Columbian in 1987  
12 at the age of 31. At the time Scott was the youngest publisher of a daily newspaper in the  
13 United States. Scott led The Columbian through a decade of refocusing the strategy of The  
14 Columbian away from the declining commercial printing business, reinforcing the core  
15 business, and embarking on a successful profitability improvement program. This entailed  
16 making tough choices on improving performance accountability, reducing staffing levels, and  
17 investing in new business initiatives like the electronic delivery of information.

18 Scott also built on his family's notion that a newspaper must be thoroughly  
19 embedded in efforts to improve the overall vitality of the community, and he began to push  
20 for several important community initiatives, including revitalizing the Vancouver waterfront,  
21 establishing an economic development effort, and siting a major university presence in the  
22 community. The Columbian advocated for these initiatives on its editorial pages on a regular  
23 basis, covered these issues extensively in its news columns, and Scott served in a leadership  
24 role in working to bring these efforts, and many other community improvement efforts, to  
25 fruition.

1 The Columbian's dedication to its community is one of the factors that  
2 separates The Columbian from its chain-owned counterparts. The Columbian is one of only  
3 200 independent daily newspapers among the 1800 daily newspapers in the United States.

4 The bond between the community and The Columbian is evident in the many  
5 long time subscribers who have been with the paper for decades, as well as in the positive  
6 feedback from newcomers to the area who have the ability to compare The Columbian's  
7 journalism with newspapers in other communities.

8 In 2006, The Columbian was awarded the first ever general-excellence award  
9 in a six state region by the Society of Professional Journalists.

10 **B. THE COLUMBIAN AND CLARK COUNTY**

11 Clark County, and particularly Vancouver, Washington, is a vibrant and  
12 growing community. Its retail base has increased dramatically over the last 10 years. New  
13 store locations in Vancouver include Kohl's, Best Buy, Cost Plus World Market, Fred  
14 Meyer, Lowes, JC Penney and Costco.

15 Clark County is frequently cited as one of the fastest growing counties in the  
16 state of Washington. Vancouver, the largest city in Clark County, has maintained an identity  
17 separate from the Portland, Oregon metropolitan area, which lies directly across the  
18 Columbia River from Vancouver.

19 Clark County is served by two daily newspapers – The Columbian and The  
20 Oregonian. The Columbian dominates the Clark County market, with a readership level  
21 approaching 62% of adults reading the paper in an average week. The Oregonian, which has  
22 refocused its coverage on the Portland Oregon market, contains little Clark County news and  
23 has closed its Clark County news bureau. The Oregonian's circulation is one-third the  
24 number of customers as The Columbian in Clark County.

25 The rural Clark County areas are served by two weekly newspapers: The  
26 Battleground Reflector and the Camas-Washougal Post-Record. The Columbian owns and

1 operates the Camas-Washougal Post-Record and has merged operational components with  
2 The Columbian, which has helped the Camas-Washougal Post-Record to be modestly  
3 profitable.

4           The Clark County community is hungry for local news and information, and  
5 The Columbian fills an important void in the media landscape for Clark County. The  
6 Columbian is the only media that effectively allows for the exclusive targeting of Clark  
7 County consumers. The Columbian is unique in serving the local news needs of Clark  
8 County advertisers and residents. No other news organization offers Clark County residents  
9 the comprehensive coverage of local politics, sports, entertainment, business and general  
10 local news – as well as local advertising - as its central purpose. Because of its proximity to  
11 the Oregon border, Vancouver is unusual in not having locally based television or radio  
12 stations. This means The Columbian is an even more important provider of news in the  
13 Clark County market and an even more viable media business.

14           **C.     MANAGEMENT TEAM/BOARD OF DIRECTORS**

15           Management Team. The Columbian's management team is set forth below.  
16 The Columbian anticipates that each member of its management team will continue with The  
17 Columbian post-confirmation.

18           Scott C. Campbell, President and Publisher (1987 to Present). Mr. Campbell  
19 is a third generation owner of The Columbian, and grew up in the business, working on the  
20 floor of the production departments doing manual labor and working through most of the  
21 major functions of The Columbian. In August, 1987, Mr. Campbell became The  
22 Columbian's President and Publisher at the age of 31. Prior to becoming President and  
23 Publisher, Mr. Campbell served as President and Chief Operating Officer (1986-1988) and as  
24 Circulation Director (1980-1986). Mr. Campbell held internships at The Washington Post,  
25 The Trenton (NJ) Times and the Sacramento Union (1978 and 1979). He earned his B.S.  
26 degree from the University of Oregon School of Journalism in 1979.

1 Mr. Campbell has led The Columbian through a conversion to a morning  
2 delivery, established a seven-day-a-week publishing cycle, and developed one of the first  
3 newspaper internet development programs.

4 Mr. Campbell is active in the community, has served on community  
5 development and service organization boards for almost 30 years, and helped start the local  
6 Clark County economic development council.

7 Douglas E. Ness, CFO and Corporate Treasurer (1985 to Present) Mr. Ness  
8 joined The Columbian in 1985 as the Chief Financial Officer. His responsibilities include  
9 accounting and financial reporting, purchasing, information technology and building  
10 management. He also serves on The Columbian's Board of Directors. Prior to joining The  
11 Columbian, Mr. Ness held several positions in the computer and management consulting  
12 fields, including six years with Arthur Andersen & Co. He majored in accounting and  
13 received his B.A. degree in Business from Washington State University in 1969.

14 Marc Dailey, Circulation Director (1988 to Present) Since joining The  
15 Columbian in 1988 as Circulation Director, Mr. Dailey has successfully led the Circulation  
16 Division through several major changes, including the addition of a Saturday edition and the  
17 conversion to a morning delivery cycle. Mr. Dailey's 51 years of newspaper experience  
18 includes: Wenatchee World (1958-1988) (Circulation Director - 1977-1988; Assistant  
19 Circulation Director - 1972-1977; District Manager - 1967-1972; Apprentice Printer - 1965-  
20 1968; Circulation Night Complaint Clerk - 1963-1965; Mailer - 1960-1963; and Carrier -  
21 1958-1960).

22 Lou Brancaccio, Editor/News Director (1997 to Present) Mr. Brancaccio is  
23 responsible for The Columbian's news division. Mr. Brancaccio joined The Columbian in  
24 1997 as Managing Editor and was promoted to Editor in 2001. His 34 years of news  
25 experience includes: Managing Editor of The Outlook, Santa Monica, California (1994-  
26 1997); Executive Editor of The Press & Sun-Bulletin, Binghamton, New York (1989-1994);



1 USA Today six-month special news project (1987); and various news positions ending as  
2 Managing Editor at The News-Press in Fort Myers, Florida (1975-1989). Mr. Brancaccio  
3 earned his B.S. degree in Journalism from the University of Florida in 1975.

4 Jeffrey Stalcup, Production Director (2003 to Present) Mr. Stalcup is  
5 responsible for all aspects of the production division. His experience includes: Assistant  
6 Operations Manager of the King County Journal (2001-2003); Assistant Press Manager –  
7 Operations of The Seattle Times (2000-2001); Night Packaging Manager – Operations  
8 (1997-2000); Operations Manager of the Peninsula Daily News (1995-1997); and Production  
9 Coordinator of USA Today (1993-1995). Mr. Stalcup received his BA in Business  
10 Administration from Western Washington University in 1992, and his Master of Business  
11 Administration from Seattle University in 2003.

12 Teresa Keplinger, Advertising Director (2006 to Present) Ms. Keplinger is  
13 responsible for advertising revenue generation through existing and new products. Her  
14 experience includes: Advertising Director at the Statesman Journal in Salem, Oregon (2000-  
15 2006); and various advertising positions ending as Advertising Director of the Mail Tribune  
16 in Medford, Oregon (1977-2000).

17 **D. EVENTS LEADING TO CHAPTER 11 FILING**

18 **1. DECLINE IN ADVERTISING AND READERSHIP DUE TO A**  
19 **DECLINING U.S. ECONOMY AND STRUCTURAL CHANGES**  
20 **IN THE NEWSPAPER INDUSTRY**

21 The Columbian's revenues come roughly 80% from advertisers and 20% from  
22 subscribers. Both these revenue sources have decreased in the past few years, and  
23 particularly in the last 18 months, due to the declining economy and structural changes in the  
24 newspaper industry.

25 Advertising Revenues. The Columbian's advertising revenues have declined,  
26 particularly in the last 18 months, as a result of structural changes and the declining United  
States economy.



1 Structural changes and a shift in media consumption habits have evolved  
2 considerably over the last 50 years or more. With the invention of radio, television, cable,  
3 satellite TV, and the internet, newspaper companies have evolved to redefine their financial  
4 structures and customer offerings. Recently, newspaper companies have lost significant  
5 amounts of classified advertising to online competitors like Craigslist and eBay.

6 In the past, advertising has contributed an average of 80% to 85% of total  
7 revenues for newspaper companies. Recently, as a result of the poor economy, advertising  
8 on all platforms has declined at historic rates. Retailers, automotive advertisers, help wanted  
9 advertisers and real-estate advertisers – typically the mainstay of newspaper advertisers -  
10 have dramatically pulled back on their advertising programs.

11 In the future, The Columbian expects an improving economy to help the  
12 general volume of business in all those segments, but not rising to past levels due to  
13 structural changes.

14 Readers/Print and Online. The Columbian is published mornings seven days a  
15 week, with an average paid circulation of 40,000 daily and 45,000 on Sunday. Debtor began  
16 publishing the Saturday edition of The Columbian in 1999 and converted from an afternoon  
17 to a morning publication in 2000.

18 Print circulation for the newspaper industry and for The Columbian has been  
19 in a modest decline over the past few years as consumers have more access to an ever  
20 increasing array of information sources, many of them free, including Debtor's own  
21 "Columbian.com." Debtor's budgeting assumptions do not assume a change in this dynamic.

22 Print readership habits are also evolving, with a portion of the loyal print  
23 audience moving from a strict seven day per week readership habit to a less frequent four to  
24 five issues per week readership. This trend has a negative impact on the average daily paid  
25 circulation numbers, but less so on total weekly audience numbers.

1 To combat the print circulation decline, The Columbian is a vigorous  
2 participant in the emerging new media landscape. Columbian.com was one of the early  
3 newspaper web sites – established in 1994. It has been constantly evolving and growing.  
4 Traffic to the site has surpassed many information outlets locally, becoming the second most  
5 popular news destination in Clark County – second only to The Columbian print edition.  
6 Online viewership is on a constant growth curve, and has grown to 38,000 visitors averaging  
7 four visits per week. Online revenues were approaching the million dollar mark for 2008,  
8 and have the potential for significant additional growth, especially after the recession abates.

9 The Columbian also publishes an E-edition, an electronic replica of the print  
10 newspaper to more than 500 customers daily, as well as a business newsletter reaching more  
11 than 5000 readers daily.

## 12 2. CONSTRUCTION AND LEASE OF THE DVP BUILDING

13 In January 2008, The Columbian moved out of its headquarters facility  
14 located at 701 W. 8th Street, Vancouver, Washington and into a newly constructed building  
15 owned by Downtown Vitality Partners LLC ("DVP") located at 415 W. 6th Street,  
16 Vancouver, Washington (the "DVP Building"). The DVP Building was designed and built  
17 specifically for The Columbian as the master tenant, and The Columbian entered into a long  
18 term master lease with DVP for the DVP Building. In connection with the construction of  
19 the DVP Building, The Columbian loaned DVP over \$11,000,000, repayable pursuant to a  
20 revolving loan agreement entered into between DVP and The Columbian.

21 Unfortunately, shortly after moving into the DVP building the recession began  
22 to significantly impact The Columbian's revenues. The Columbian quickly reacted and  
23 implemented numerous cost reduction initiatives (including staff layoffs). On October 1,  
24 2008, The Columbian terminated its master lease with DVP pursuant to a lease termination  
25 and settlement agreement, and shortly thereafter moved back to its previous headquarters  
26 facility. The lease termination resulted in The Columbian becoming obligated to DVP for

1 lease termination damages, which DVP and The Columbian settled for \$2,560,066. That  
2 amount was set off against DVP's obligations to The Columbian, leaving \$7,000,000 owing  
3 by DVP to The Columbian (evidenced by the DVP Note referred to previously in this  
4 Disclosure Statement). To date, DVP has not made any payments on the DVP Note.

5 Bank of America Litigation. In 2006 and 2007, The Columbian entered into  
6 various loan documents with B of A pursuant to which The Columbian borrowed  
7 \$14,500,000 from B of A. The loans are secured by a security interest in all personal  
8 property of The Columbian, as well as by a deed of trust on The Columbian's real property  
9 located at 701 W. 8th Street, Vancouver, Washington (The Columbian's current headquarters  
10 facility). The loans matured on October 1, 2008 and The Columbian could not repay the  
11 loans on the maturity date.

12 The Columbian attempted to reach a resolution with B of A, but negotiation  
13 efforts with B of A were not successful. On April 8, 2009, B of A filed a lawsuit against The  
14 Columbian in the Superior Court of the State of Washington, Clark County. In the lawsuit,  
15 B of A sought to obtain a judgment against The Columbian for all principal, interest and fees  
16 due under the loan documents, and sought authority to foreclose on its personal property  
17 security interest and its deed of trust.

18 Accordingly, to ensure its long term success and survival, The Columbian was  
19 forced to seek the protections of a Chapter 11 bankruptcy and filed for Chapter 11 protection  
20 on May 1, 2009.

## 21 **E. THE COLUMBIAN'S BUSINESS PLAN**

22 The Columbian has realized for some time that even as the economy recovers  
23 it would not return to past revenue levels because of the structural changes outlined above.  
24 As discussed in more detail below, The Columbian has already adjusted its expenses and cost  
25 structure to meet this new "normal" level of revenues, is beginning to cultivate its online  
26 business to capture additional revenue, and continues to seek out additional revenue sources.

1 The Columbian is confident that as a result of its cost-cutting measures it can successfully  
2 emerge from Chapter 11 and operate profitability now and into the future.

3 The Columbian has been through a massive restructuring of its operations over  
4 the last 18 months, including three rounds of staff reductions, moving out of the newly  
5 constructed DVP Building, and instituting process improvements and cost reduction  
6 initiatives in all areas of The Columbian. In the past few years The Columbian has also  
7 invested in capital expenditures that should save The Columbian over a half-million dollars  
8 in annual costs. These proactive actions have substantially decreased The Columbian's cost  
9 of operations, and should keep The Columbian operationally profitable even in this severely  
10 impaired economy. The restructuring of costs in The Columbian has been taken to  
11 permanently reposition its cost structure, and match developing changes in the revenue  
12 model for the future, particularly with regard to classified advertising.

13 In addition to cutting costs, The Columbian is diligently working to tap new  
14 online revenue streams. Columbian.com has had rapid audience growth over the past few  
15 years. The Columbian recently invested in a new Saxotech content management system  
16 coupled to a powerful web publishing platform that will provide the technical structure for  
17 future development. Additionally, The Columbian anticipates it will soon participate in new  
18 partnerships for online behavioral-targeted advertising that will expand The Columbian's  
19 revenue base. An example is The Columbian's partnering with "Yahoo!" in selling online  
20 employment advertising and eventually behaviorally-targeted advertising to web users.

21 From a strategy standpoint on new product development, The Columbian has  
22 determined that it does not need to "pioneer" expensive and risky new product initiatives.  
23 Instead, The Columbian's strategy is to be sharp "scouts" on emerging ideas and stay sharply  
24 tuned to developing and successful initiatives in the industry. The Columbian strives to be  
25 early adopters of successful marketing initiatives.

1 The Columbian has also recently implemented a new means of delivering  
2 subscriptions through a computer based system that supplements the print edition delivery by  
3 providing a full copy of the print edition in a paperless delivery channel, known as the  
4 “e-edition.” This represents a growing sector of The Columbian's circulation sales efforts.

5 The Columbian's advertising staff has been developing relationships with  
6 businesses as they have fought their way through this tough recession, looking for additional  
7 options that reflect the realities of tight economics. Lower cost products have been  
8 developed that allow additional exposure and more economical advertising and marketing.  
9 An example is the reformatting of The Columbian's real estate “Home Book” publication.  
10 Previously a high gloss product that required a more expensive production process and a  
11 third party printer, the new-concept product is back to traditional newsprint, in a larger size,  
12 and a lower price point. Customer response to this reformatting is extremely positive, and is  
13 resulting in significant recovery of advertising dollars.

14 In a changing media landscape – especially now – predicting the future is  
15 risky. But The Columbian believes print will continue to play an important role in serving  
16 the news and information needs of Clark County for the foreseeable future. Print content will  
17 likely evolve to emphasize The Columbian's core business – providing local news and  
18 information.

19 The Columbian has a long and successful history serving the news and  
20 information needs in Clark County, and particularly the greater Vancouver, Washington  
21 market. The Greater Vancouver, Washington area depends on The Columbian for local news  
22 reporting and advertising. The Columbian is one of the important cornerstones in supporting  
23 the local identity of the community, which is vastly under-served by other news outlets.

24 The owners, managers and employees of The Columbian are committed to the  
25 long-term success of The Columbian. Substantial changes instituted in the last 18 months,  
26

1 combined with future product changes, will provide a new base for The Columbian's success  
2 well into the future.

3 **F. HISTORICAL FINANCIAL STATEMENTS**

4 Exhibit 2 (comparative income statements) and Exhibit 3 (comparative  
5 balance sheets) attached hereto contain, in summary fashion, historical financial information  
6 for Debtor.

7 **G. FINANCIAL PROJECTIONS**

8 Exhibit 4 attached hereto presents in summary fashion Debtor's projected  
9 income statements and projected cash flow statements, each through five years after the  
10 Effective Date.

11 **IV. POST-PETITION DEVELOPMENTS**

12 **A. FIRST-DAY ORDERS**

13 At the beginning of Debtor's Chapter 11 case, the Bankruptcy Court entered a  
14 number of "first day" orders that Debtor requested for purposes of maintaining ongoing  
15 business operations and to insure that the Chapter 11 filing would not disrupt Debtor's  
16 operations. These orders, among other things, authorized Debtor to pay employees their  
17 accrued prepetition wages, salaries, compensation, expenses, benefits and related taxes; to  
18 maintain Debtor's prepetition bank accounts; to continue Debtor's existing utility services,  
19 including determining an adequate amount of utility deposits; and to continue to honor  
20 prepaid subscriptions.

21 **B. USE OF CASH COLLATERAL**

22 Following the filing of Debtor's Chapter 11 case, Debtor has operated on its  
23 cash flow pursuant to a series of cash collateral orders agreed to by The Columbian and  
24 B of A, and entered by the Bankruptcy Court.  
25  
26

1                   **C.       EMPLOYMENT OF PROFESSIONALS**

2                   Since the Petition Date, the Court has entered Orders in this case authorizing  
3 Debtor to retain Tonkon Torp LLP as Debtor's general bankruptcy counsel, Miller Nash LLP  
4 as Debtor's Special Counsel, Davis, Wright, Tremaine LLP as Debtor's Special Counsel, The  
5 Mountain Group as consultants for Debtor, and Moss Adams LLP as Debtor's accountants.

6                   **D.       UNSECURED CREDITORS COMMITTEE**

7                   On May 15, 2009, a committee of unsecured creditors (the "Unsecured  
8 Creditors' Committee) was appointed by the United States Trustee in this case, consisting of  
9 the following creditors

10 Linda Fornero, Chairperson  
11 Business Credit Manager  
12 North Pacific Paper Corp.  
13 c/o Weyerhaeuser NR Company  
14 PO Box 9777  
15 Federal Way, WA 98063

Matthew Todd, Secretary  
B&B/Entek Air Conditioning  
7316 NE 47th Ave  
Vancouver, Washington 98661

13 John Pukas  
14 Vice President Business Relations  
15 Saxotech  
16 302 Knights Run Ave., #1150  
17 Tampa, FL 33602

17 The Unsecured Creditors' Committee has retained Marc Barreca and the firm of K&L Gates  
18 LLP as its legal counsel.

19                   **E.       B OF A'S MOTION FOR RELIEF FROM STAY**

20                   In addition to having outstanding loans to The Columbian, B of A has  
21 outstanding loans to DVP totaling approximately \$27.2 million. DVP has defaulted on its  
22 obligations to B of A. DVP's obligations to B of A are secured by, among other things, a  
23 first deed of trust on the DVP Building. The Columbian has a second deed of trust on the  
24 DVP Building. B of A filed a motion for limited relief from stay, seeking authority to  
25 publish and serve the required statutory notice of trustee's sale and thereafter proceed with its  
26 pending non-judicial foreclosure of its first deed of trust on the DVP Building. Both The

1 | Columbian and the Unsecured Creditors' Committee in this Case filed objections to B of A's  
2 | motion. On September 4, 2009, the Court held an evidentiary hearing on the motion.  
3 | Evidence was presented at the hearing regarding the value of the DVP Building, and the DVP  
4 | Note and second deed of trust. Evidence was also presented regarding the current sale and  
5 | leasing prospects for the DVP Building. Upon conclusion of the evidence, the Court  
6 | continued the hearing until November 3, 2009. At the November 3rd hearing, the Court  
7 | indicated that it would grant B of A's motion effective as of December 1, 2009.

8 | **F. 503(b)(9) MOTION**

9 | The Columbian filed a motion with the Court seeking authority to  
10 | immediately pay certain undisputed "503(b)(9) Claims" in an aggregate amount not to exceed  
11 | \$190,000. In general, a 503(b)(9) Claim is a Claim accorded administrative expense priority  
12 | for the value of any goods sold to The Columbian in the ordinary course of business that  
13 | were received by The Columbian within 20 days prior to the Petition Date. A condition to  
14 | immediate payment of any 503(b)(9) Claim would be that the supplier that holds the Claim  
15 | agrees in writing with The Columbian to continue supplying goods to The Columbian on  
16 | trade terms that existed prior to the Petition Date.

17 | No hearing has yet been held on the Motion.

18 | **V. ASSETS AND LIABILITIES**

19 | Exhibit 3 attached hereto presents in summary fashion Debtor's balance sheet  
20 | as of December 31, 2006, December 31, 2007, December 31, 2008, the Petition Date, and  
21 | June 30, 2009.

22 | **A. ASSETS**

23 | As set forth in Exhibit 3, Debtor's assets consist primarily of cash, equipment,  
24 | inventory, real estate and the DVP Note. All of Debtor's assets, other than Debtor's real  
25 | property located at 615 W. 6th Street, Vancouver, Washington (approximate value of  
26 | \$2,000,000 based on February 10, 2009 appraisal) and Debtor's real property located at 425



1 NE 4th Avenue, Camas, ~~WA~~[Washington](#) (approximate value of \$400,000 based on May 8,  
2 2009 appraisal), are subject to a security interest in favor of B of A. Thus, the value of  
3 Debtor's unencumbered assets is approximately \$2,400,000.

#### 4 **B. AVOIDANCE ACTIONS**

5 Avoidance Actions~~under Chapter 5 of the Bankruptcy Code~~, including,  
6 without limitation, preference and fraudulent transfer actions, are assets of the Debtor's  
7 bankruptcy estate. Preference actions may, with certain exceptions, be used to recover  
8 payments made to creditors within the 90 days immediately preceding the Debtor's  
9 bankruptcy filing, or within one year if the payments were to an insider. Fraudulent transfer  
10 actions may, with certain exceptions, be used to recover property transferred by the Debtor  
11 with actual intent to hinder, delay, or defraud creditors, or if the Debtor received less than  
12 reasonably equivalent value for the transfer, and the Debtor was insolvent or rendered  
13 insolvent by the transfer. Debtor has not completed its investigation of potential preference,  
14 [fraudulent transfer or](#) and other Avoidance Actions. The Plan provides that all Avoidance  
15 Actions will automatically be transferred to the Creditor's Trust on the Effective Date, at  
16 which time the Trustee shall have the exclusive standing and authority to enforce, prosecute  
17 and settle such avoidance actions. If the Trustee elects to pursue any Avoidance Action, it  
18 must file such Avoidance Action with the Bankruptcy Court on or before ~~February~~  
19 ~~28~~[April 15](#), 2010. Any Avoidance Action that is not filed on or before ~~February 28~~[April 15](#),  
20 2010 shall be deemed to be released. All expenses of pursuing any Avoidance Action shall  
21 be Creditors' Trust Administrative Expenses.

#### 22 **C. LIABILITIES**

23 1. Bank of America. As of the Petition Date, Debtor owed B of A  
24 approximately \$15,564,161. B of A has a security interest in all of Debtor's personal  
25 property. B of A also has a security interest in Debtor's real property located at 701 W. 8th  
26 Street, Vancouver, Washington.

1 Based upon appraisals and other information available to Debtor, Debtor  
2 estimates that B of A's Collateral, including the DVP Note, has an approximate value of  
3 \$9,000,000. The Plan provides that B of A will have an Allowed Secured Claim in the  
4 amount of \$9,000,000 that will be satisfied by delivery of a \$9,000,000 promissory note to  
5 B of A payable by Reorganized Debtor (the "B of A Note"). The B of A Note will accrue  
6 interest at the rate of 5.25% per annum and will be paid in equal quarterly installments of  
7 principal and interest based on a 30-year amortization schedule, with a balloon payment due  
8 10 years after the Effective Date. As security for the B of A Note, B of A will retain its  
9 security interest in the Collateral securing its Secured Claim with the same priority that such  
10 security interest had on the Petition Date.

11 B of A will retain a General Unsecured Claim in the amount of \$6,500,000.

12 2. Administrative Expense Claims. Debtor has retained Tonkon Torp  
13 LLP as its general counsel, The Mountain Group as a consultant, Miller Nash LLP as Special  
14 Counsel, Davis, Wright, Tremaine LLP as Special Counsel and Moss Adams LLP as  
15 accountants. Although the following estimate is very preliminary and may vary greatly  
16 depending on negotiations with B of A and the Unsecured Creditors' Committee, Debtor  
17 anticipates it will incur approximately \$300,000 in professional fees and expenses through  
18 the Confirmation Date. In addition, Debtor estimates that Allowed [§Section 503\(b\)\(9\)](#)  
19 Administrative Expense Claims will total approximately \$190,000. As discussed above,  
20 Debtor has filed a motion with the Court seeking authority to immediately pay certain of  
21 such §503(b)(9) Claims, and the motion is pending before the Court.

22 3. Unsecured Claims-

23 3.1 Subscriber Refunds. Debtor estimates that Subscriber Refund  
24 Claims will total approximately \$7,500.

25 3.2 Small Unsecured Claims. Debtor estimates that Small  
26 Unsecured Claims (\$5,000 or less) will total approximately \$90,000.

3.3 General Unsecured Claims. Debtor estimates that General Unsecured Claims will range from approximately \$8,400,000 to \$9,900,000.

The total amount of General Unsecured Claims will depend in large part on what actions Debtor takes with respect to a major personal property lease Debtor has with General Electric Capital Corporation ("GE"). Debtor has two leases with GE – a packaging equipment lease and a furniture lease. Debtor will reject the GE furniture lease, which will result in lease rejection damages of approximately \$1,400,000. Debtor is currently in negotiations with GE regarding possible lease modifications with respect to the packaging lease. If those negotiations are successful, Debtor anticipates it will seek to assume the lease as modified. However, if Debtor does not assume the packaging lease and such lease is rejected, Debtor estimates GE will have a General Unsecured Claim with respect to such lease rejection of approximately \$1,500,000. Accordingly, it is anticipated GE may have a total General Unsecured Claim ranging from approximately \$1,400,000 to \$2,900,000.

B of A will have a General Unsecured Claim of \$6,500,000. Debtor estimates that the amount of General Unsecured Claims of Creditors other than GE and B of A will total approximately \$500,000.

3.4 Subordinated Unsecured Claims. Debtor estimates that Subordinated Unsecured Claims (which will not receive anything under the Plan) are approximately \$2,100,000.

## **VI. DESCRIPTION OF PLAN OF REORGANIZATION**

### **A. BRIEF EXPLANATION OF CHAPTER 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and equity holders. In addition to permitting rehabilitation of the debtor, another goal of Chapter 11 is to promote equality of treatment of creditors and equity holders of equal rank with respect to the distribution of a debtor's assets. In furtherance of these two

goals, upon the filing of the reorganization under Chapter 11, Section 362 of the Bankruptcy Code generally provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect debts or enforce liens that arose prior to commencement of the debtor's case under Chapter 11.

The confirmation of a plan of reorganization is the principal objective of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan, any creditor, and any equity holder of the debtor. Subject to certain limited exceptions provided by the Bankruptcy Code, and except as specifically provided in the plan of reorganization, the confirmation order discharges the debtor from any debt that arose prior to the date of such confirmation and order and substitutes therefor the obligations specified in the plan.

#### **B. SOLICITATION, CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

1 General. Pursuant to Section 1123(a)(1) of the Bankruptcy Code, a plan of reorganization must designate classes of claims and classes of interests. Debtor's Plan classifies all Claims and Interests into four Classes. The classification of Claims and Interests is made for the purpose of voting on the Plan and making distributions thereunder, and for ease of administration of the Plan. A Claim or Interest is classified in a particular Class only to the extent the Claim or Interest qualifies within the description of that Class, and is classified in a different Class to the extent the Claim or Interest qualifies within the description of such different Class. A Claim or Interest is entitled to vote in a particular Class and to receive distribution in such Class only to the extent such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid prior to the Effective Date. Under the Plan, a Claim or Interest is an Allowed Claim against Debtor or an Allowed

1 Interest in Debtor to the extent that (a) a proof of the Claim or Interest was (i) timely filed or  
2 (ii) deemed filed under applicable law by reason of an order of the Bankruptcy Court; or (iii)  
3 scheduled by Debtor on its Schedules of Liabilities as neither contingent, unliquidated, or  
4 disputed; and (b) (i) no party in interest has filed an objection within the time fixed by the  
5 Bankruptcy Court; or (ii) the Claim or Interest is allowed by Final Order; and (c) with respect  
6 to an application for compensation or reimbursement of an Administrative Expense Claim,  
7 the amount of Administrative Expense Claim of which has been approved by the Bankruptcy  
8 Court.

9           2.     Unclassified Claims. Administrative Expense Claims and Priority Tax  
10 Claims are not classified. An Administrative Expense Claim is a claim against Debtor  
11 constituting an expense of administration of the Bankruptcy Case allowed under Section  
12 503(b) of the Bankruptcy Code, including, without limitation, the actual and necessary costs  
13 and expenses of preserving the estate and operating the business of Debtor during the case,  
14 any indebtedness or obligations incurred by Debtor during the pendency of the case in  
15 connection with the conduct of, the acquisition or lease of property by, or the rendition of  
16 services to, Debtor, compensation for legal and other professional services, and  
17 reimbursement of expenses and statutory fees payable to the United States Trustee.  
18 Administrative Expense Claims also include claims made by suppliers of goods to Debtor for  
19 the value of any goods sold to Debtor in the ordinary course of Debtor's business that were  
20 received by Debtor within 20 days before the Petition Date (referred to in this Disclosure  
21 Statement as Section 503(b)(9) Administrative Expense Claims).

22           A "Priority Tax Claim" is a claim of a governmental unit of the kind entitled  
23 to priority under Section 507(a)(8) of the Bankruptcy Code. Priority Tax Claims will be paid  
24 as allowed in Section 1129(a)(9) within 30 days following the later of the Effective Date or  
25 the date upon which the Priority Tax Claim becomes an Allowed Claim.  
26

Pursuant to the Plan, Administrative Expense Claims will be paid in full on the later of the Effective Date or the date on which the Administrative Expense Claim becomes an Allowed Claim; provided, however, that Administrative Expense Claims representing liabilities incurred by Debtor in the ordinary course of business (including amounts owed to vendors and suppliers that have sold products or furnished services to Debtor after the Petition Date) will be paid in accordance with the terms and conditions of the particular transactions, and any other agreements relating thereto. Additionally, any agreements between Debtor and holders of Allowed Administrative Expense Claims for treatment other than payment in full on the date described above must be in writing.

3. Classified Claims. The following summary of distributions under the Plan to Classified Claims is subject to, and is qualified in its entirety by reference to, the Plan attached hereto as Exhibit 1.

a. Class 1 – Other Priority Claims. An "Other Priority Claim" is a claim against Debtor entitled to priority under Section 507(a) of the Bankruptcy Code (other than an Administrative Expense Claim or Priority Tax Claim). Debtor is unaware of any unpaid Other Priority Claims. Pursuant to the Plan, unless otherwise agreed by any holder of an Allowed Other Priority Claim, any holder of an Allowed Other Priority Claim shall be paid the full amount of its Allowed Other Priority Claim on the later of the Effective Date or the date such Claim becomes an Allowed Claim.

Class 1 is unimpaired and is not entitled to vote on the Plan. The holders of Class 1 Claims are conclusively presumed pursuant to Section 1126(f) of the Bankruptcy Code to have accepted the Plan.

b. Class 2 – B of A's Secured Claim. Class 2 consists of the Allowed Secured Claim of B of A. B of A's Secured Claim will be Allowed in the amount of \$9,000,000, and will be satisfied by delivery of a \$9,000,000 promissory note to B of A payable by Reorganized Debtor (the "B of A Note"). The B of A Note will accrue interest at

1 the rate of 5.25% per annum and will be paid in equal quarterly installments of principal and  
2 interest based on a 30-year amortization schedule, with a balloon payment due 10 years after  
3 the Effective Date. As security for the B of A Note, B of A will retain its security interest in  
4 the Collateral securing its Secured Claim with the same priority that such security interest  
5 had on the Petition Date.

6 Class 2 is impaired, and B of A is entitled to vote on the Plan.

7 c. Class 3 – Subscriber Refund Claims. Class 3 consists of all Allowed  
8 Subscriber Refund Claims. Subscriber Refund Claims are Unsecured Refund Claims of \$100  
9 or less of subscribers (or past subscribers) of The Columbian or the Camas-Washougal Post-  
10 Record. Debtor estimates that the total amount of Subscriber Refund Claims will be  
11 approximately \$7,500. Class 3 Claims will be paid in full within 30 days after the Effective  
12 Date.

13 Class 3 is unimpaired and is not entitled to vote on the Plan. Holders of Class  
14 3 Claims are conclusively presumed pursuant to Section 1126(f) of the Bankruptcy Code to  
15 have accepted the Plan.

16 d. Class 4 – Small Unsecured Claims. Small Unsecured Claims are  
17 Allowed Unsecured Claims in the amount of \$5,000 or less, or that have been reduced to  
18 \$5,000 by election of the holders thereof. Debtor estimates that the total amount of the Small  
19 Unsecured Claims will be approximately \$90,000. An election to reduce an Unsecured  
20 Claim to \$5,000 must be made in writing and served on counsel for Debtor on or prior to the  
21 first date set for casting ballots to accept or reject the Plan. Holders of Class 4 Claims will be  
22 paid an amount equal to 60 percent of their Class 4 Claims within 30 days following the  
23 Effective Date.

24 Class 4 is impaired and holders of Class 4 Claims are entitled to vote on the  
25 Plan.  
26



1 e. Class 5 – General Unsecured Claims. Class 5 consists of all Allowed  
2 Unsecured Claims that are not otherwise classified in the Plan. As set forth previously,  
3 Debtor estimates that the total amount of General Unsecured Claims may range from  
4 approximately \$8,400,000 to \$9,900,000.

5 The Plan provides that holders of Allowed General Unsecured Claims will be  
6 paid Pro Rata from a Creditors' Trust established for the purpose of paying Allowed General  
7 Unsecured Claims. The Creditors' Trust will be established pursuant to the Plan and a  
8 Creditors' Trust Agreement. A copy of the Creditors' Trust Agreement is attached as an  
9 exhibit to the Plan, which is attached as an exhibit to this Disclosure Statement. The  
10 Unsecured Creditors' Committee will serve as the Executive Board of the Creditors' Trust,  
11 and will appoint the Trustee of the Creditors' Trust.

12 On the Effective Date, Reorganized Debtor shall execute and deliver to the  
13 Creditors' Trust a \$2,250,000 Term Note secured by a Deed of Trust on the Petlock Property.

14 The Term Note shall be paid in equal quarterly installments of \$30,000 each,  
15 with the first quarterly payment to be made on April 1, 2010 and subsequent quarterly  
16 payments to be made on the first day of each calendar quarter thereafter, with a balloon  
17 payment due ~~7~~seven years after the Effective Date. In addition, in the event ~~that~~ Reorganized  
18 Debtor, in its discretion, elects to sell all or any portion of the Petlock Property, Reorganized  
19 Debtor shall promptly pay the net proceeds of such sale as a mandatory prepayment towards  
20 any outstanding principal balance of the Term Note.

21 On the Effective Date, all Avoidance Actions shall automatically be  
22 transferred to the Creditors' Trust, at which time the Trustee shall have the exclusive standing  
23 and authority to enforce, prosecute and settle such Avoidance Actions. If the Trustee elects  
24 to pursue any such Avoidance Action, it must file such Avoidance Action with the  
25 Bankruptcy Court on or before ~~February 28~~April 15, 2010. Any Avoidance Action that is  
26 not filed on or before ~~February 28~~April 15, 2010 shall be deemed to be released. All



1 expenses of pursuing any Avoidance Action shall be Creditors' Trust Administrative  
2 Expenses. The Bankruptcy Court will retain jurisdiction over any Avoidance Action,  
3 notwithstanding any Order closing the Chapter 11 Case.

4 The Trustee will from time to time make Pro Rata payments from available  
5 Creditors' Trust Assets to the holders of Allowed Class 5 Claims. The Trustee will make  
6 distributions only to holders of Allowed Class 5 Claims. No holder of a Disputed Claim will  
7 receive any distribution on account of such Disputed Claim unless, until and to the extent that  
8 such Disputed Claim becomes an Allowed Class 5 Claim. When determining any Pro Rata  
9 distribution to be made to a holder of an Allowed Class 5 Claim, the Trustee will assume that  
10 each Disputed Class 5 Claim is an Allowed Class 5 Claim in an amount equal to the lesser of  
11 (a) the amount of such Disputed Claim, (b) the amount estimated by the Bankruptcy Court in  
12 respect of such Disputed Claim upon request by the Reorganized Debtor or the Trustee, or (c)  
13 such other amount as may be agreed upon by the holder of such Disputed Claim and  
14 Reorganized Debtor or the Trustee. All amounts not distributed by the Trustee as a result of  
15 the preceding will be reserved by the Trustee in a separate and segregated bank account (the  
16 "Reserve Account") for the benefit of holders of Class 5 Claims. Within 30 days after a  
17 Disputed Class 5 Claim is Allowed or disallowed in whole or in part, any distributions  
18 payable in respect of such Allowed Class 5 Claim will be paid from the Reserve Account to  
19 the holder of such Allowed Class 5 Claim. From time to time, and in no event later than 30  
20 days following the allowance or disallowance of all Disputed Claims, the Trustee will, after  
21 payment of Disputed Claims that have been Allowed, distribute funds remaining in the  
22 Reserve Account on a Pro Rata basis to holders of Allowed Class 5 Claims.

23 Class 5 is impaired and holders of Class 5 Claims are entitled to vote on the  
24 Plan.

25 f. Class 6 – Subordinated Unsecured Claims. Class 6 consists of the  
26 Allowed Subordinated Claims of Scott Campbell and other Insiders for funds loaned by such

1 Insiders to The Columbian. Class 6 Claims total approximately \$2,100,000. Holders of  
2 Class 6 Claims will not receive any property under the Plan on account of their Class 6  
3 Claims. Accordingly, pursuant to Section 1126(g) of the Bankruptcy Code, Class 6 is  
4 deemed to have rejected the Plan.

5 g. Class 7 – Interests. Class 7 consists of Interest holders of Debtor. The  
6 Plan provides that holders of Class 7 Interests will receive or retain nothing in respect of their  
7 Interests and that all Interests will be cancelled as of the Effective Date. Accordingly,  
8 pursuant to Section 1126(g) of the Bankruptcy Code, Class 7 is deemed to have rejected the  
9 Plan.

10 The Plan further provides that on the Effective Date, Reorganized Debtor  
11 will issue 500,000 shares of common stock to Scott Campbell in exchange for \$500,000 Cash  
12 to be paid by Scott Campbell (and/or a Campbell family trust and/or an immediate family  
13 member of Scott Campbell) to Reorganized Debtor on or before the Effective Date. In  
14 addition to the shares to be issued to Scott Campbell (and/or a Campbell family trust and/or  
15 an immediate family member of Scott Campbell), the Plan provides that on the Effective  
16 Date any Creditor may purchase common stock in Reorganized Debtor in blocks of not less  
17 than 50,000 shares for \$1 per share provided that such Creditor has executed and delivered to  
18 Debtor a signed subscription agreement on or before the Confirmation Date.

19 **C. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

20 The Bankruptcy Code gives Debtor the right, after commencement of its  
21 Chapter 11 Case, subject to the approval of the Bankruptcy Court, to assume or reject  
22 executory contracts and unexpired leases. Generally, an "executory contract" is a contract  
23 under which material performance (other than the payment of money) is still due by each  
24 party.

1 The Plan provides for the rejection by Debtor of all executory contracts and  
2 unexpired leases that are not expressly assumed by the Plan or subject to a motion for  
3 assumption filed on or before the Confirmation Date.

4 If an executory contract or unexpired lease is rejected, the other party to the  
5 agreement may file a proof of claim for damages resulting from such rejection. The Plan  
6 provides that a proof of claim with respect to any such claim must be filed within 30 days of  
7 the approval of the Bankruptcy Court of the rejection of the relevant executory contract or  
8 unexpired lease. Any such claim shall constitute a Class 4 Claim or Class 5 Claim to the  
9 extent that such claim is finally treated as an Allowed Claim.

#### 10 **D. EFFECT OF CONFIRMATION**

11 1. Cancellation of Equity and Right to Purchase Stock. On the Effective  
12 Date, all of Debtor's existing common stock will be cancelled. The Plan provides that on the  
13 Effective Date Reorganized Debtor will issue 500,000 shares of common stock to Scott  
14 Campbell (and/or a Campbell family trust and/or an immediate family member of Scott  
15 Campbell) in exchange for \$500,000 Cash to be paid by Scott Campbell (and/or a Campbell  
16 family trust and/or an immediate family member of Scott Campbell) to Reorganized Debtor  
17 on or before the Effective Date. In addition to the shares to be issued to Scott Campbell  
18 (and/or a Campbell family trust and/or an immediate family member of Scott Campbell), the  
19 Plan provides that on the Effective Date any Creditor may purchase common stock in  
20 Reorganized Debtor in blocks of not less than 50,000 shares for \$1 per share provided that  
21 such Creditor has executed and delivered to Debtor a signed subscription agreement on or  
22 before the Confirmation Date. A form subscription agreement is attached as an exhibit to the  
23 Plan, which is attached as an exhibit to this Disclosure Statement.

24 2. Discharge. The treatment of, and consideration received by, holders of  
25 Allowed Claims and Interests pursuant to the Plan of Reorganization will be in full  
26 satisfaction, release and discharge of their respective Claims against or Interests in Debtor.

1 The Confirmation Order shall discharge Debtor from any liability that arose before the  
2 Effective Date as provided in Sections 524 and 1141 of the Bankruptcy Code, and any debt  
3 and liability of a kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code,  
4 whether or not: (a) a Proof of Claim based on such debt or liability is filed or deemed filed  
5 under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is  
6 Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

7 3. Revesting, Operation of Business. All property of the estate shall  
8 revest in Reorganized Debtor on the Effective Date free and clear of all rights, claims, liens,  
9 charges, encumbrances and interests, except as otherwise provided in the Plan. Any liens on  
10 or security interests in property of the estate which secure post-petition Claims shall attach to  
11 such property on and after the Effective Date until such post-petition Claim has been satisfied  
12 in full.

13 Liabilities incurred in Debtor's purchase, lease, or use of goods and services in  
14 the ordinary course of its business, including Administrative Expense Claims for amounts  
15 due on account of services rendered to Debtor, including, without limitation, fees and  
16 expenses of professionals, after the Confirmation Date, shall be paid by Reorganized Debtor  
17 pursuant to the terms and conditions of the particular transaction giving rise to such Claims,  
18 without any further action by the holders of such Claims.

19 4. Injunction. Except as otherwise expressly provided in the Plan, all  
20 persons who have held, hold or may hold Claims, or who may have held, hold or may hold  
21 any Interest, are permanently enjoined from and after the Effective Date from (a)  
22 commencing or continuing in any manner any action or other proceedings of any kind with  
23 respect to any Claims or Interests against Reorganized Debtor; (b) enforcing, attaching,  
24 collecting or recovering by any manner or any means any judgment, award, decree or order  
25 against Reorganized Debtor; (c) creating, perfecting or enforcing any encumbrances of any  
26 kind against Reorganized Debtor with respect to any such Claim except as specifically set

1 forth in the Plan; (d) asserting any setoff, right of subrogation or recoupment of any kind  
2 against any obligation due to Debtor, Reorganized Debtor or their property; and (e)  
3 proceeding in any manner in any place whatsoever that does not conform to, does not comply  
4 with, or is inconsistent with the provisions of the Plan or the order confirming the Plan.

5           5.     Utility Deposits. The Plan provides that all utilities holding a Utility  
6 Deposit shall immediately after the Effective Date return or refund such Utility Deposit to  
7 Reorganized Debtor. At the sole option of Reorganized Debtor, Reorganized Debtor may  
8 apply any Utility Deposit that has not been refunded to Reorganized Debtor in satisfaction of  
9 any payments due or to become due from Reorganized Debtor to a utility holding such a  
10 Utility Deposit.

11           6.     Modification of the Plan; Revocation or Withdrawal of the Plan.  
12 Subject to Section 1127 of the Bankruptcy Code, Debtor reserves the right to alter, amend or  
13 modify the Plan before its substantial consummation so long as the treatment of holders of  
14 Claims and Interests under the Plan is not adversely affected.

15           7.     Retention of Jurisdiction. Notwithstanding the entry of the  
16 Confirmation Order or the Effective Date having occurred, or an Order closing the Chapter  
17 11 Case, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out  
18 of or relating to the Chapter 11 Case, including, but not limited to, the following matters: (a)  
19 resolve controversies and disputes regarding any avoidance action; (b) to hear and determine  
20 any pending applications for the rejection of executory contracts or unexpired leases, and the  
21 allowance of Claims resulting therefrom; (c) to determine any adversary proceedings,  
22 applications, contested matters or other litigation matters pending on the Effective Date; (d)  
23 to ensure that distributions to holders of Allowed Claims are accomplished; (e) to hear and  
24 determine objections to or requests for estimations of Claims, including any objections to the  
25 classification of any Claim, and to allow, disallow and/or estimate any Claim in whole or in  
26 part; (f) to enter and implement such orders as may be appropriate in the event the

1 Confirmation Order is for any reason stayed, revoked, modified or vacated; (g) to issue any  
2 appropriate orders in aid of execution of the Plan or to enforce the Confirmation Order and/or  
3 the discharge, or the effect of such discharge, provided to Debtor; (h) to hear and determine  
4 any applications to modify the Plan, to cure any defect or omission or to reconcile any  
5 inconsistency in the Plan or in any order of the Bankruptcy Court, including, without  
6 limitation, the Confirmation Order; (i) to hear and determine all applications for  
7 compensation and reimbursement of expenses of professionals under the Bankruptcy Code;  
8 (j) to hear and determine disputes arising in connection with the interpretation,  
9 implementation or enforcement of the Plan; (k) to hear and determine other issues presented  
10 or arising under the Plan; (l) to hear and determine any other matters related hereto and not  
11 inconsistent with Chapter 11 of the Bankruptcy Code; and (m) to enter a final decree closing  
12 the Chapter 11 Case.

13 8. United States Trustee Fees. Reorganized Debtor shall be responsible  
14 for timely payment of fees incurred pursuant to 28 USC § 1930(a)(6) until the case is closed,  
15 converted or dismissed. After confirmation, Reorganized Debtor shall serve on the United  
16 States Trustee a monthly financial report for each month, or portion thereof, that the case  
17 remains open. The monthly financial report shall include a statement of all disbursements  
18 made during the course of the month, whether or not pursuant to the Plan.

## 19 **VII. LIQUIDATION ANALYSIS**

20 A Plan of Reorganization cannot be confirmed unless the Bankruptcy Court  
21 finds that the plan is in the "best interest of creditors" of holders of claims against, and  
22 interests in, the debtor subject to such plan. The "best interest of creditors" test is satisfied if  
23 the Plan provides each dissenting or non-voting member of each impaired Class with a  
24 recovery not less than the recovery such member would receive if the debtor was liquidated  
25 in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. In  
26 applying the "best interest" test, the Bankruptcy Court would ascertain the hypothetical

1 recovery in a Chapter 7 proceeding to secured creditors, priority claimants, general unsecured  
2 creditors and equity interest holders. The hypothetical Chapter 7 recoveries would then be  
3 compared with the distribution offered to each Class of Claims or Interests under the Plan to  
4 determine if the Plan satisfied the "best interest" test set forth in the Bankruptcy Code.

5 Debtor believes the Plan provides each dissenting or non-voting member of  
6 each impaired Class with a recovery not less than the recovery such member would receive if  
7 Debtor was liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code by a  
8 Chapter 7 Trustee.

9 Exhibit 5 attached hereto sets forth Debtor's liquidation analysis. Debtor  
10 believes that conversion to a case under Chapter 7 would result in lower distributions being  
11 received by Creditors and would result in significant delays in distributions to Creditors.

## 12 **VIII. RISK FACTORS TO BE CONSIDERED**

13 Prior to voting on the Plan, each Creditor should carefully consider the risk  
14 factors enumerated or referred to below, as well as all the other information contained in this  
15 Disclosure Statement, the Plan, and the exhibits hereto and thereto. The financial projections  
16 included with this Disclosure Statement are dependent upon the successful reorganization of  
17 Debtor, the continued implementation of Debtor's business plan, and the reliability of the  
18 assumptions contained in the projections. These projections reflect numerous assumptions of  
19 the anticipated future performance of Reorganized Debtor, general business and economic  
20 conditions, and other matters, most of which are beyond the control of Reorganized Debtor  
21 and some of which may not materialize. In addition, unanticipated events and circumstances  
22 occurring subsequent to the preparation of the projections may affect the actual final  
23 financial result of the Reorganized Debtor.

## 24 **IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

25 CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH  
26 REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM



1 YOU THAT (A) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS  
2 COMMUNICATION (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR  
3 WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED  
4 UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER  
5 THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (2) PROMOTING,  
6 MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION  
7 OR TAX MATTER(S) ADDRESSED HEREIN, AND (B) THIS DISCUSSION WAS  
8 WRITTEN IN CONNECTION WITH DEBTOR SOLICITING ACCEPTANCES OF THE  
9 PLAN THROUGH THIS DISCLOSURE STATEMENT.

10 **A. GENERAL TAX CONSIDERATIONS**

11 The following discussion is a summary of certain material federal income tax  
12 consequences expected to result from the consummation of the Plan. This discussion is for  
13 general information purposes only, and should not be relied upon for purposes of determining  
14 the specific tax consequences of the Plan with respect to a particular holder of an Allowed  
15 Claim or any Interest holder. This discussion does not purport to be a complete analysis or  
16 listing of all potential tax considerations. This discussion does not address aspects of federal  
17 income taxation that may be relevant to a particular holder of an Allowed Claim subject to  
18 special treatment under federal income tax laws (such as foreign taxpayers, broker-dealers,  
19 banks, thrifts, insurance companies, financial institutions, regulated investment companies,  
20 real estate investment trusts and pension plans, and other tax-exempt investors), and does not  
21 discuss any aspects of state, local or foreign tax laws. Furthermore, this summary does not  
22 address federal taxes other than income taxes.

23 This discussion is based on existing provisions of the Internal Revenue Code  
24 of 1986, as amended (the "IRC"), existing and proposed Treasury Regulations promulgated  
25 thereunder, and current administrative rulings and court decisions. Legislative, judicial or  
26 administrative changes or interpretations enacted or promulgated after the date hereof could



1 alter or modify the discussion set forth below with respect to the federal income tax  
2 consequences of the Plan. Any such changes or interpretations may be retroactive and could  
3 significantly affect the federal income tax consequences of the Plan. No ruling has been  
4 requested or obtained from the Internal Revenue Service (the "IRS") with respect to any tax  
5 aspects of the Plan and no opinion of counsel has been sought or obtained with respect  
6 thereto. This discussion is not binding on the IRS or the courts and no assurance can be  
7 given that the IRS will not assert, or that a court will not sustain, a different position than any  
8 position discussed herein. No representations or assurances are being made to the holders of  
9 Allowed Claims or the Interest holders with respect to the federal income tax consequences  
10 described herein.

11 Accordingly, the following summary of certain federal income tax  
12 consequences of the Plan is for informational purposes only and is not a substitute for careful  
13 tax planning or advice based upon the individual circumstances pertaining to a particular  
14 holder of an Allowed Claim or an Interest holder. Each holder of an Allowed Claim and  
15 each Interest holder is strongly urged to consult with its own tax advisors regarding the  
16 federal, state, local, foreign, and other tax consequences of the Plan.

17 Any discussion of federal tax issues set forth in this Disclosure Statement was  
18 written solely in connection with the confirmation of the Plan to which the transactions  
19 described in this Disclosure Statement are ancillary. Such discussion is not intended or  
20 written to be legal or tax advice to any person and is not intended or written to be used, and  
21 cannot be used, by any person for the purpose of avoiding any federal tax penalties that may  
22 be imposed on such person. Each holder of an Allowed Claim and each Interest holder  
23 should seek advice based on its particular circumstances from an independent tax advisor.

#### 24 **B. FEDERAL INCOME TAX CONSEQUENCES TO DEBTOR**

25 Debtor is a corporation that has elected to be treated as an S corporation (as  
26 defined in IRC Section 1361) for federal income tax purposes. As an S corporation, Debtor

1 is not itself generally subject to federal income tax. Instead, each Interest holder, as a  
2 shareholder of Debtor, is required to include its pro rata share of the income, gain, loss, and  
3 deduction recognized by Debtor in the Interest holder's own income tax returns.

4 Accordingly, since it is unlikely there will be any direct federal income tax liability at the  
5 Debtor level, it appears there are no federal income tax consequences to Debtor under the  
6 Plan except as discussed below. However, the S corporation election of Debtor will  
7 terminate if an ineligible S corporation shareholder becomes a shareholder of Debtor.

8 Under the IRC, a taxpayer generally will recognize cancellation of debt  
9 income ("COD Income") upon satisfaction of its outstanding indebtedness for consideration  
10 less than the amount of such indebtedness. The amount of COD Income, in general, is the  
11 excess of (a) the "adjusted issue price" of the satisfied indebtedness (in most cases, the  
12 amount the debtor received on incurring the obligation, with certain adjustments), over (b)  
13 the sum of the amount of cash paid and the fair market value of any new consideration given  
14 in satisfaction of the indebtedness. However, IRC Section 108(a) provides an exception to  
15 this income recognition rule (the "Bankruptcy Exception") where a taxpayer is in bankruptcy  
16 and the discharge is granted, or is effected, pursuant to a plan approved by the bankruptcy  
17 court. In the case of an entity taxable as a corporation, eligibility for the Bankruptcy  
18 Exception is determined at the corporate level. If the Bankruptcy Exception applies (with the  
19 effect that the taxpayer excludes COD Income from its gross income), the taxpayer is  
20 required, under IRC Section 108(b), to reduce certain of its tax attributes by the amount of  
21 COD Income excluded from gross income pursuant to the Bankruptcy Exception. The  
22 attributes of the taxpayer that are reduced include any net operating loss for the taxable year  
23 of the discharge (which, with respect to an S corporation, includes certain losses that have  
24 been blocked at the shareholder level by the basis limitation rule), net operating loss  
25 carryovers from prior years, general business and minimum tax credit carryforwards, capital  
26 loss carryforwards, the basis of the taxpayer's assets, and foreign tax credit carryforwards.

1 Except for the net operating loss and basis reductions, these attribute reductions generally  
2 have limited application to S corporations.

3 Whether Debtor will realize any COD Income on the debt restructuring  
4 contemplated by the Plan depends on whether the restructuring of any debt constitutes a  
5 deemed taxable exchange of the underlying debt pursuant to IRC Section 1001 and the  
6 corresponding Treasury Regulations. For a deemed taxable exchange to occur with respect  
7 to a debt, the modification to the debt must be "significant" as such term is defined in the  
8 applicable Treasury Regulations. If the modification to a debt obligation of Debtor is  
9 "significant," Debtor will realize COD Income in an amount equal to the amount, if any, by  
10 which the "issue price" of the new debt (i.e., the "modified debt") is less than the "adjusted  
11 issue price" of the old debt. The realization of COD Income by Debtor will result in tax  
12 attribute reductions because of its exclusion under the Bankruptcy Exception.

13 Debtor will realize COD Income with respect to the restructuring of the Small  
14 Unsecured Claims, General Unsecured Claims, and Subordinated Unsecured Claims. As  
15 discussed above, the COD Income realized by Debtor is excluded from Debtor's income by  
16 the Bankruptcy Exception. Debtor should not realize any COD Income with respect to the  
17 restructuring of the B of A Secured Claim because the underlying debt as restructured will be  
18 paid in full and the modified debt will bear "adequate stated interest."

19 **C. FEDERAL INCOME TAX CONSEQUENCES TO CERTAIN**  
20 **HOLDERS OF AN ALLOWED CLAIM**

21 In accordance with the Plan, the debt owed by Debtor to each holder of a  
22 Small Unsecured Claim or General Unsecured Claim will be restructured. If the  
23 modification to the debt is "significant," as such term is defined in the applicable Treasury  
24 Regulations, the modified debt will be treated as received by such holder in a deemed taxable  
25 exchange of the underlying debt pursuant to IRC Section 1001.  
26

1 With respect to a deemed taxable exchange, a holder of a Small Unsecured  
2 Claim or General Unsecured Claim will generally recognize gain or loss equal to the  
3 difference between the "amount realized" by the holder on the exchange and the holder's  
4 adjusted tax basis in its debt. The amount realized will equal the sum of the amount of cash  
5 and the fair market value of other property (including the fair market value of a holder's  
6 proportionate share, if any, in the assets transferred by Debtor to the Creditors' Trust)  
7 received in the deemed taxable exchange. With respect to modified debt that is treated as  
8 received in a deemed taxable exchange (e.g., the Term Note), fair market value generally  
9 equals its "issue price." The tax consequences of a deemed taxable exchange (including the  
10 determination of whether any gain or loss recognized will be long-term or short-term capital  
11 gain or loss, or ordinary income or loss) depends upon factors specific to each holder of an  
12 Allowed Claim, including but not limited to: (1) whether the Claim (or a portion thereof) is  
13 attributable to principal or interest, (2) the origin of the Claim, (3) whether the holder of the  
14 Claim reports income on the accrual or cash basis method, and (4) whether the holder of the  
15 Claim has taken a bad debt deduction or otherwise recognized a loss with respect to the  
16 Claim.

17 The principal amount of certain restructured debt may include accrued but  
18 unpaid interest. A holder of an Allowed Claim not previously required to include in its  
19 taxable income any accrued but unpaid interest on such Claim may be treated as receiving  
20 taxable interest to the extent the modified debt received is allocable to such accrued but  
21 unpaid interest.

22 The amount realized with respect to a deemed taxable exchange of a Small  
23 Unsecured Claim or General Unsecured Claim is likely to be less than its adjusted tax basis.  
24 Accordingly, a holder of such a claim will generally recognize a loss on the deemed taxable  
25 exchange. The holders of Subordinated Unsecured Claims will not receive any distributions  
26

1 under the Plan. Such holders will generally recognize a loss in the amount of the holder's  
2 adjusted tax basis in its Claim.

3 **D. CONSEQUENCES TO THE INTEREST HOLDERS**

4 Pursuant to the Plan, all of the currently outstanding shares of common stock  
5 of Debtor, which shares constitute all of the equity interests of Debtor, shall be deemed  
6 cancelled and shall be of no further force and effect, whether surrendered for cancellation or  
7 otherwise, and there shall be no distribution with respect to such shares.

8 **E. CREDITORS' TRUST**

9 Pursuant to the Plan, the holders of Allowed General Unsecured Claims are  
10 required, for federal tax purposes, to treat the assets transferred by Debtor to the Creditors'  
11 Trust as having been transferred directly by Debtor to such holders (with each such holder  
12 receiving an undivided interest in the assets transferred by Debtor to the Creditors' Trust),  
13 and then transferred by such holders to the Creditors' Trust in exchange for beneficial  
14 interests therein.

15 The Creditors' Trust is intended to qualify as a liquidating trust. As such, the  
16 Creditors' Trust is not a separate taxable entity but rather is treated for federal tax purposes as  
17 a "grantor" trust. The Debtor, Trustee and the holders of Allowed General Unsecured Claims  
18 will treat the Creditors' Trust as a grantor trust of which such holders are the owners and  
19 grantors. Accordingly, each such holder (as an owner of a beneficial interest in the Creditors'  
20 Trust) will be required to report on its federal income tax returns the holder's allocable share  
21 of any income, gain, loss, deduction or credit recognized by the Creditors' Trust.

22 The deemed transfer of assets by Debtor to the holders of Allowed General  
23 Unsecured Claims will result in the recognition by the Debtor of gain or loss based on the  
24 difference between the fair market value and the adjusted tax basis of the assets deemed  
25 transferred.

1                   **F.        INFORMATION REPORTING AND BACKUP WITHHOLDING**

2                    Certain payments, including the payments with respect to Claims pursuant to  
3 the Plan, are generally subject to information reporting by the payor to the IRS. Moreover,  
4 under certain circumstances, a holder of a Claim may be subject to "backup withholding"  
5 with respect to payments made pursuant to the Plan, unless such holder either (1) comes  
6 within certain exempt categories (which generally include corporations) and, when required,  
7 demonstrates this fact, or (2) provides a correct United States taxpayer identification number  
8 and certifies under penalty of perjury that the holder is a United States person, the taxpayer  
9 identification number is correct, and that the taxpayer is not subject to backup withholding  
10 because of a failure to report all dividend and interest income. Backup withholding is not an  
11 additional tax. Amounts withheld under the backup withholding rules may be credited  
12 against the holder's United States federal income tax liability, and the holder may obtain a  
13 refund of any excess amounts withheld under the backup withholding rules by filing an  
14 appropriate claim for refund with the IRS.

15                   **G.        IMPORTANCE OF OBTAINING PROFESSIONAL TAX**  
16                    **ASSISTANCE**

17                    THE FOREGOING DISCUSSION IS INTENDED ONLY AS A  
18 SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE  
19 PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX  
20 PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES  
21 ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY  
22 CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER OF AN  
23 ALLOWED CLAIM OR THE INTEREST HOLDER'S PARTICULAR  
24 CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER OF AN ALLOWED CLAIM  
25 AND THE INTEREST HOLDER IS URGED TO CONSULT ITS TAX ADVISOR ABOUT  
26

1 THE FEDERAL, STATE, LOCAL, AND APPLICABLE FOREIGN, INCOME AND  
2 OTHER TAX CONSEQUENCES OF THE PLAN.

3 **X. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

4 **A. CONFIRMATION HEARING**

5 The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on  
6 January 13, 2010 at 9:00 a.m. Pacific Time. The hearing will  
7 be held at the United States Bankruptcy Court for the Western District of Washington,  
8 117 Pacific Avenue, Tacoma, Washington 98402, before  
9 the Honorable Paul B. Snyder, United States Bankruptcy Judge. At that hearing, the  
10 Bankruptcy Court will consider whether the Plan satisfies the various requirements of the  
11 Bankruptcy Code, including whether it is feasible and whether it is in the best interest of  
12 Creditors and Interest holders of Debtor. Debtor will submit a report to the Bankruptcy  
13 Court at that time concerning the votes for acceptance or rejection of the Plan by the parties  
14 entitled to vote thereon. Any objection to confirmation of the Plan must be timely filed as  
15 stated above.

16 **B. REQUIREMENTS OF CONFIRMATION**

17 At the hearing on confirmation, the Bankruptcy Court will determine whether  
18 the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all the  
19 provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the  
20 Plan. Debtor believes the Plan satisfies all the requirements of Chapter 11 of the Bankruptcy  
21 Code, that it has complied or will have complied with all the requirements of Chapter 11, and  
22 that the Plan has been proposed and is made in good faith.

23 The Best Interests of Creditors – Liquidation Alternative. Notwithstanding  
24 acceptance of the Plan by each impaired Class, to confirm the Plan the Bankruptcy Court  
25 must determine that the Plan meets the requirements of Section 1129(a)(7) of the Bankruptcy  
26 Code; that is, that the Plan is in the best interests of each holder of a Claim or Interest in an

1 impaired Class that has not voted to accept the Plan. Accordingly, if an impaired Class does  
2 not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court  
3 find that the Plan provides to each holder of a Claim or Interest in such impaired Class a  
4 recovery on account of the holder's Claim or Interest that has a value at least equal to the  
5 value of the distribution each such holder would receive if Debtor was liquidated under  
6 Chapter 7 of the Bankruptcy Code. In the opinion of Debtor, confirmation of the Plan is in  
7 the best interests of the holders of Claims and Interests.

8 Debtor believes Chapter 7 liquidation would result in a diminution in the  
9 value to be realized by holders of Claims and Interests due to, among other factors, (1) the  
10 loss of the going concern value of Debtor's assets; (2) additional costs and expenses in the  
11 appointment of a Chapter 7 trustee and attorneys, accountants and other professionals to  
12 assist such trustee in the Chapter 7 case; and (3) additional expenses and Claims, some of  
13 which would be entitled to priority in payment, which would arise by reason of the  
14 liquidation. In a liquidation, Debtor would incur additional Claims resulting from the  
15 rejection of all of Debtor's leases and executory contracts that would necessarily occur if  
16 Debtor ceased operations. Consequently, Debtor believes the Plan, which provides for the  
17 continuation of Debtor's business, will provide a greater ultimate return to Creditors than  
18 would a Chapter 7 liquidation.

19 At the confirmation hearing, the Bankruptcy Court will determine whether the  
20 holders of impaired Claims and Interests receive a distribution under the Plan that is at least  
21 as great as the distribution such holders would receive upon liquidation of Debtor pursuant to  
22 Chapter 7 of the Bankruptcy Code.

23 Feasibility of the Plan. Debtor believes confirmation of the Plan is not likely  
24 to be followed by the liquidation of Reorganized Debtor or a need for a further financial  
25 reorganization of Reorganized Debtor. The projections of Debtor's post-confirmation  
26 business, attached hereto as Exhibit 4, show sufficient earnings and cash flow from



1 operations to support and meet the ongoing financial needs of Reorganized Debtor. The  
2 projections indicate that the Plan, as proposed by Debtor, is feasible and that Reorganized  
3 Debtor will be financially viable after confirmation of the Plan.

#### 4 **C. CRAM DOWN**

5 The Bankruptcy Court may confirm the Plan, even if it is not accepted by all  
6 impaired Classes, if the Plan has been accepted by at least one impaired Class of Claims, and  
7 the Plan meets the cram down requirements set forth in Section 1129(b) of the Bankruptcy  
8 Code. In the event any impaired Class of Claims does not accept the Plan, Debtor hereby  
9 requests the Bankruptcy Court to confirm the Plan in accordance with Section 1129(b) of the  
10 Bankruptcy Code or otherwise permit Debtor to modify the Plan.

#### 11 **D. ALTERNATIVES TO CONFIRMATION OF THE PLAN**

12 If the Plan is not confirmed, Debtor or another party in interest may attempt to  
13 formulate or propose a different plan or plans of reorganization. Such plans might involve a  
14 reorganization and continuation of Debtor's business, a sale of Debtor's business as a going  
15 concern, an orderly liquidation of Debtor's assets, or any combination thereof. If no plan of  
16 reorganization is determined by the Bankruptcy Court to be confirmable, the Chapter 11 case  
17 may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

18 In a liquidation, a Chapter 7 Trustee would be appointed with the purpose of  
19 liquidating the assets of Debtor. Typically, in a liquidation, assets are sold for less than their  
20 going concern value and, accordingly, the return to Creditors and Interest holders is less than  
21 the return in a reorganization, which derives the value to be distributed in a Plan from the  
22 business as a going concern. Proceeds from liquidation would be distributed to Creditors and  
23 Interest holders of Debtor in accordance with the priorities set forth in the Bankruptcy Code.

24 Debtor believes there is no currently available alternative that would offer  
25 holders of Claims and Interests in Debtor greater value than the Plan and urges all parties  
26 entitled to vote on the Plan to vote to accept the Plan.

1 **XI. CONCLUSION**

2 Please read this Disclosure Statement and the Plan carefully. After reviewing  
3 all the information and making an informed decision, please vote by using the enclosed  
4 ballot.

5 DATED this 1~~3<sup>th</sup>~~<sup>st</sup> day of ~~November~~<sup>December</sup>, 2009.

6 Respectfully submitted,

7 THE COLUMBIAN PUBLISHING COMPANY

8  
9 By /s/ Scott Campbell  
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